

MULTI-YEAR PROJECTIONS

FY2005 - FY2007 PROJECTIONS

General fund projections for FY2005, FY2006, and FY2007 are based on projected economic trends in the county. Past trends, as well as changes in state and federal regulations, are taken into account when projecting revenues and expenditures for these years.

In addition, projections conform to the county's established financial policies and commitments, which include funding projected increases for debt service, increases to undesignated fund balance at 7.5% of expenditures, increases in the transfer to Schools, increases to the reserve for capital projects, and various general operating cost commitments for county departments. The projections for FY2005-FY2007 are conservative due to the slowdown in the national and regional economy.

Debt Service

Conforming to the county's established indebtedness policies, debt service is expected to increase by \$6 million by FY2007 as projects identified in the Capital Improvement Program are financed and constructed. As of June 30, 2002, the county had a total net general long-term outstanding obligations of \$417.2 million. Those obligations consist of \$341.9 million in general obligation bonds (\$263.8 million for schools, \$78.1 million for general county improvements), \$6.4 million in State Literary Fund Loans, \$28.6 million in capital leases, \$3.9 million in retirement plan obligations, and \$36.4 million in judgments, claims, and compensated absences payable.

The most critical ratio for the county - and the ratio, which primarily guided the establishment of planned debt issuance for fiscal years 2004-2007 - is the ratio of debt service as a percentage of general governmental expenditures. At June 30, 2002, this ratio was 8.7%. The county's target is to maintain this ratio below 10.0%; the ceiling is set at 11%. The FY2004-FY2010 CIP structures debt issuance to attain a debt ratio closer to 8.5%.

Undesignated Fund Balance

The county's established policy for increases to undesignated fund balance is set at 7.5% of general fund expenditures. This ratio indicates the ability of the county to cope with unexpected financial problems or emergencies. As the unreserved general

fund balance increases, the county's ability to cope with financial emergencies and fluctuations in revenue cycles improves. Undesignated general fund balance was \$42.5 million or 8.8% of general fund expenditures at June 30, 2002.

Transfer To Schools

The FY2004 transfer to Schools (based on a real estate tax rate of \$1.07) has been formulated based on a methodology that was revised in FY1999, which compares growth in school enrollment to growth in the total population. Previously, the local transfer to Schools was not based on this comparison, but rather was a percentage of net property taxes. The General fund transfer to Schools for FY2005 (net of extra services provided by county departments) is \$243,149,000 or 3% above FY2004; for FY2006 is \$253,018,000 or 4% above FY2005, and for FY2007 is \$263,246,400 or 4% above FY2006.

Reserve For Future Capital Improvement Projects

The amount of the reserve for future capital projects is based on a policy established by the Board of Supervisors. The reserve for future capital projects is budgeted each fiscal year through current revenues with a goal of reaching at least 5% of General fund expenditures (excluding transfers, grants, fund balance, debt service, and respective flow-through expenditures having no direct benefit to the general fund). Specific projects are identified for funding from this reserve. Any balance in the reserve remains there until a need is identified. For FY2005, total current revenue projected for the reserve for future capital projects is \$9.4 million and by FY2007 equals \$10.3 million.

Departmental Commitments

General increases for new positions and additional operating costs are included for projection purposes where warranted. In addition, funds have been set aside in the employee benefits area to address future salary and benefit increases for departments. Final decisions on future year funding will be made during the respective fiscal year budget deliberations.

Increases may result from the opening of new capital facilities or the completion of capital projects. For example, a new facility opening in FY2005 may cause

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a department to need additional funds for personnel, maintenance, or utilities. In other instances, new technology projects may result in increased expenses for maintenance contracts.

The need for new capital items may also result in increases in expenditures. Such items have been budgeted where the need for equipment is known and where the acquisition of capital is warranted.

Currently the county's per diem payments to the Regional Jail must cover both the county's responsibilities for the construction financing for the facility, as well as ongoing operating costs. The per diem payments for FY2005, FY2006, and FY2007 are \$5.5 million, \$6.1 million, and \$6.1 million, respectively, and are included under Public Safety in the Sheriff's narrative.

Several new facilities are scheduled to open in the coming years that will have an impact on departmental personnel, operating, and capital expenditures. Projections include additional funding for utilities, maintenance, and Buildings and Grounds Department personnel costs. Additional

funding for these expenses is noted in the respective years as follows.

In FY2005, projections include additional funding for Matoaca Park, fire infrastructure upgrades, the emergency system integration project, as well as software maintenance support and utilities for video arraignment in the Circuit Court/General District Court and JDR Court buildings.

The FY2006 projections include additional funding for the police property storage warehouse, increased software maintenance for support of the new ERP (financial/human resources) system, the new Community Development building, the Public Safety Training Center at Enon, mobile data computers in the Sheriff's office, and other miscellaneous park improvement projects.

In FY2007, projections include funding for operating budget impacts associated with the above-named new facilities, as well as impacts resulting from the new Juvenile and Domestic Relations Courtroom and the Meadowdale Library.

OPERATING IMPACTS FROM CAPITAL IMPROVEMENT PROJECTS

(For Projects in the FY2004-2010 CIP)

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Personnel	8,700	200,700	492,500
Operating	<u>280,000</u>	<u>1,061,000</u>	<u>1,300,400</u>
Total Operating Impact	288,700	1,261,700	1,792,900

Note: Table excludes impacts resulting from projects funded in prior year Capital Improvement Programs. Final funding levels for operating impacts in FY2005 – FY2007 will be made in each year's respective budget deliberations.